MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BFN 3114 – TAX PLANNING

(Section BO1)

28 FEBRUARY 2017
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **EIGHT (8)** printed pages including cover page with 3 questions only.

2. Answer **ALL** questions.

3. Please write all your answers in the answer booklet provided.

4. Marks allocations are shown at the end of each question.

QUESTION 1

(a) Professor Gilbert, an academic from Northwestern University in the United States, and an expert in aircraft engineering was offered a job in Malaysia. He first arrived in Malaysia on 5 January 2011 and recorded the following periods of stay in Malaysia and elsewhere:

Period	*Country*
5.1.2011 – 31.3.2011 1.4.2011 – 14.4.2011 15.4.2011 – 30.9.2011 1.10.2011 – 31.12.2011	In Malaysia In Thailand In Malaysia In the United States
1.1.2012 – 31.10.2012 1.11.2012 – 31.10.2012 1.12.2012 – 31.12.2012	In Malaysia Social visit in Brunei In Singapore
1.1.2013 – 31.3.2013 1.4.2013 – 18.4.2013 19.4.2013 – 15.7.2013 16.7.2013 – 31.12.2013	In Malaysia Visiting his parent in the United States In Malaysia In Brunei
1.1.2014 – 30.4.2014 1.5.2014 – 31.7.2014 1.8.2014 – 31.12.2014	In Singapore In Malaysia In Brunei
1.1.2015 – 31.12.2015	In the United States
1.1.2016 – 1.5.2016	In Malaysia

The employment contract ended on 30 April 2016. Professor Gilbert returned to his country, United States on 1 May 2016.

Required:

For Malaysian income tax purposes, determine the tax resident status of Professor Gilbert for the relevant years of assessment, explaining your basis for the determination by quoting the relevant provisions of the Income Tax Act 1967 (as amended).

(18 marks)

(b) Timothy, an Australian citizen received a job offer in Malaysia. At the same time, he plans to invest in shares of a company listed in the Bursa Malaysia, where he expects to receive dividend yearly. As a close friend, he contacted you for an advice. Explain to Timothy the tax consequences on (i) the income to be earned from the job offered and (ii) the dividend income from the investment in shares of a company listed in the Bursa Malaysia.

(7 marks)
[Total: 25 marks]

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QUESTION 2

a) Suresh and Maria are both managers at a medium-sized medical supply company. They have worked with the company for more than 10 years. For the year of assessment 2016, incomes and expenditures of the two managers are as follows:

Suresh

Suresh received a total gross salary of RM72,400. His share of Employees Provident Fund (EPF) contribution during the year was RM6,516. He was entitled to a bonus of RM7,000 which was paid in December 2016.

The company provides him with a new Proton car costing RM85,000 without fuel. One-third of the car usage is related to private usage. During the year, he was transferred to the new branch of the company located at Kota Kinabalu, Sabah. For the first month in Sabah, he was provided with accommodation in a hotel at the cost of RM150 per night for 30 days, and it was paid by company.

During the year, Suresh incurred RM2,000 for his medical insurance. He paid RM1,430 for books and RM200 for sports equipment. He donated cash of RM750 to National Council for the Blind (NCB), an approved charitable institution.

Maria

Maria received a gross salary of RM6,000 per month. However, she opted for early retirement at the age of 55 years old on 31 October 2016. Upon retirement, she received gratuity of RM250,000 from the company, which was deposited into her account in October 2016. Besides salary, she was also provided with a car and fuel, costing RM90,000 when new. The car was allowed for official duties and private use. The company also paid for her medical and dental cost in total of RM2,500.

Maria owns a single storey house in Cyberjaya, Selangor. She rented out the house from January to December 2016 to university students and earned rental income of RM2,000 per month. She paid RM15,000 per annum (inclusive of interest RM350) to service the loan taken to purchase the property. She also paid RM500 per annum for assessment and quit rent. Repairs and extension of the kitchen were RM3,500 and RM10,000 respectively.

To maintain the title of Certified Marketing Management Professional (CMMP), she paid membership fee to International Institute of Marketing Professional (IIMP) of RM900 per annum. She also incurred RM2,640 for medical insurance. She contributed to Employee Provident Fund (EPF) of RM6,100.

Maria is a single mother. She has two children, Dyana and Danial. Dyana is twenty years old and pursuing her degree at a higher private institution. Danial is fifteen years old. He is certified by Welfare Department as a disabled child and schooling at special school in Kajang, Selangor. Maria deposited RM3,000 into the Skim Simpanan Pendidikan Nasional (education fund) for both of her children.

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During the year, she donated to Sayang Orphanage House, an approved charitable institution of RM1,000. She also bought computer and books for RM1,900 and RM1,000 respectively.

Required:

Compute the income tax charged for (i) Suresh and (ii) Maria for the year assessment 2016 under the Income Tax Act 1967 (as amended).

Note: Both of them are resident taxpayers. They elect for separate assessment. Round-up all figures. Marks will be awarded for the appropriate labelling of the stages of income.

(35 marks)

QUESTION 3

(a) Mr Chew operates a sole-proprietor business known as Gemilang Enterprise. The business profit before taxation for the year ended 31 December 2016 is RM200,500. The following items have been charged as expenses in the Income Statement in calculating the profit before taxation:

1. Salary:
   (i) Salary to Mr. Chew of RM48,000 per annum.
   (ii) Salary of RM36,000 paid to Mr. Chew's wife, Mrs. Melisa who is employed as an Accounts Executive.

2. Employees Provident Fund (EPF):
   EPF contributed by the business is at the rate of 20% of the employees total remuneration of RM140,500.

3. Motor vehicle expenses:
   Total repair and maintenance expenses for business vehicles is RM5,200. The vehicles are used solely for business purposes. Depreciation of the vehicles are amounted to RM10,000.

4. Leave passages:
   Mrs. Melisa was provided with a leave passage costing RM3,500 to visit her siblings in Australia on 5 June 2016. Mr. Chew did not accompany her.

5. Bad debts:
   Included in the business expenses was general and specific provision for bad debts of RM5,000 and RM2,800 respectively in respect of trade debtors.

6. Entertainment:
   The business incurred RM1,500 in respect of a lunch treat to suppliers of the business at Everly Hotel Putrajaya.

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7. Promotion of export:
The business incurred expenses in total of RM4,900 for participating in oversea industrial exhibitions and the amount is approved by the Malaysian Ministry of International Trade and Industry (MITI).

8. Donation:
A cash of RM1,000 is donated to an old folks house, Warisan Qaseh, an approved institution.

Others:

The capital allowances claim by the business for the year of assessment 2016 is RM7,800 and the balancing allowance is RM1,400.

Required:

Compute the statutory business income of Gemilang Enterprise for the year of assessment 2016.
Note: Start your computation with profit before taxation figure and indicating 'NIL' in the appropriate column for item that does not require adjustment.

(20 marks)

(b) EverGrow is a partnership between Suresh and Liew. They share profit and losses equally. The profit and loss account for the year ended 31.12.2016 is as follows:

	RM	RM	RM
Trading income			540,000
Less:			
Revenue expense		280,000	
Depreciation		38,000	
Entertainment to client (wholly related to sales)		15,000	
General provision for doubtful trade debts		20,000	
Partnership expense			
Salary			
: Suresh	48,000		
: Liew	60,000	108,000	
Interest on capital	10,500		
: Suresh	10,500	21,000	
: Liew			(482,000)
Net profit			58,000

Required:

Compute the (i) provisional adjusted income, (ii) divisible income and (iii) adjusted income for each partner.

(20 marks)
[Total: 40 marks]
End of question

APPENDIX 1

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions.

Income tax rates for resident individuals for the year assessment 2016.

	Chargeable Income	Tax Rate	Income Tax Payable
	RM	(%)	RM
First	**2,500**	**0**	**0**
Next	2,500	0	0
On	**5,000**		**0**
Next	5,000	1	50
On	**10,000**		**50**
Next	10,000	1	100
On	**20,000**		**150**
Next	15,000	5	750
On	**35,000**		**900**
Next	15,000	10	1,500
On	**50,000**		**2,400**
Next	20,000	16	3,200
On	**70,000**		**5,600**
Next	30,000	21	6,300
On	**100,000**		**11,900**
Next	50,000	24	12,000
On	**150,000**		**23,900**
Next	100,000	24	24,000
On	**250,000**		**47,900**
Next	150,000	24.5	36,750
On	**400,000**		**84,650**
Exceeding	400,000	25	.....

Non-Resident Individual Rate for employment income (year of assessment 2016)

Non-resident person other than companies: 28%

Capital allowances

	Initial Allowance	Annual Allowance
Office equipment, furniture and fittings	20%	10%
Plant and machinery – general	20%	14%
Plant and machinery (heavy) and motor vehicle	20%	20%
Industrial building	10%	3%

Benefits in Kind (BIK)

(a) Household Furnishings, Apparatus & Appliances

	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM 840 (RM 70 per month)
(b)	Semi-furnished with furniture as in (a) above and one or more of the following: air-conditioners, curtains and carpets	RM 1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as in (a) and (b) above with one or more of the following: kitchen equipment, crockery, utensils and appliances.	RM 3,360 (RM 280 per month)
(d)	Service charges and other bills such as for water, electricity and telephone.	Service charges and bills paid by the employer.

Gardener	RM 3,600 per annum
Domestic servant	RM 4,800 per annum
Driver	RM 7,200 per annum

(b) Value of motor vehicles

Cost of vehicles (new) RM	Annual Value of BIK RM	Fuel per annum RM
Up to – 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001 – 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 – and above	25,000	3,000

The value of the car benefit equal to half of the prescribed annual value (above) is taken if the car is provided is more than five (5) years old, but the value of the fuel provided remains unchanged.

Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

Reliefs

	RM
Self	9,000
Disabled self- additional	6,000
Medical expenses expended for parents (max)	5,000
Medical expenses expended on self, spouse or child with serious decease, [including up to RM500 for medical examination (max)]	6,000
Basic supporting equipment for disabled self, spouse, child or parent (max)	6,000
Fees expended for skills or qualifications (max)	7,000
Expenses on books for personal use (max)	1,000
Spouse relief (if he or she has no source of income or elects for combined assessment)	4,000
Disabled spouse	3,500
Child below 18 years (each)	2,000
Disabled child unmarried (each)	6,000
Child- over 18 years of age and studying in higher learning institution	8,000
Amount deposited to SSPN for his child (max)	6,000
Life insurance premiums and contributions to approved provident funds (max)	6,000
Medical or education insurance premiums for self, spouse or child (max)	3,000
Purchase of personal computer (max)	3,000
Purchase of sports equipment	300
Interest paid on housing loan (1st residential property)	10,000
Broadband subscription fee	-
Private retirement scheme or annuity premium (max)	3,000
Parental care – father or mother each	1,500

Rebates

	RM
Chargeable income not exceeding RM35,000	
Individual	400
Individual who has been given a deduction in respect of a spouse or former wife	400

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